

Message Text

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C O N F I D E N T I A L PANAMA 1614

TAGS: ELAB, ECON, PINT

EO 11652: GDS

SUBJ: POSSIBLE GOP DECREE OF GENERAL WAGE INCREASE

SUMMARY: GOP IS PRESENTLY CONSIDERING A GENERAL WAGE INCREASE OF BETWEEN 10 AND 15 PERCENT AS ONE MEASURE TO ALLEVIATE EFFECTS OF INFLATION ON WORKING CLASS. GOVERNMENT HAS DELAYED IN TAKING THIS DECISION PENDING COMPLETION OF CONSULTATIONS WITH BUSINESS COMMUNITY. IT HOPES TO AVOID A POLITICAL CRISIS SIMILAR TO THAT WHICH RESULTED FROM ANNOUNCEMENT OF NEW HOUSING LAWS LAST FALL. END SUMMARY

1. DUE TO PRESSURES RESULTING FROM DISCREPANCY BETWEEN INCREASES IN PRICES (RETAIL PRICES ROSE 19 PERCENT ACCORDING TO MINISTER OF PLANNING AND ECONOMY POLICY BARLETTA) AND WAGES (7-8 PERCENT) DURING 1973, GOP IS REPORTEDLY CONSIDERING A 10-15 PERCENT GENERAL PAY INCREASE. SEVERAL HIGH GOP OFFICIALS HAVE RECENTLY MADE SOUNDINGS CONCERNING MATTER. MINISTER BARLETTA TOLD DIRECTORS OF CHAMBER OF COMMERCE THAT A 10-15 PERCENT INCREASE WAS BEING STUDIED BUT THAT NO DECISION HAD YET

BEEN TAKEN WHETHER SUCH AN INITIATIVE WOULD BE ADVISABLE OR WHETHER, IF DECIDED UPON, IT WOULD BE IMPLEMENTED

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IN SEVERAL STAGES OR ALL AT ONCE. HE ASSURED HIS LISTENERS THAT WAGE INCREASES ALREADY GRANTED IN 1973

OR 1974 COULD BE DEDUCTED FROM NEW PAY RAISE. COMPANIES ABLE TO PROVE REDUCED RETURN ON INVESTMENT WOULD BE ALLOWED TO INCREASE PRICES. CHAMBER OF COMMERCE DIRECTORS SEEMED RECEPTIVE TO BARLETTA'S PRESENTATION. MINISTER OF LABOR MURGAS, REPORTEDLY HAS EXPRESSED DISAGREEMENT WITH IDEA, SUPPOSEDLY BECAUSE IT DOWNGRADES IMPORTANCE OF UNION COLLECTIVE BARGAINING FOR HIGHER WAGES.

2. OTHER OFFICIALS WHO HAVE MENTIONED POSSIBILITY OF WAGE INCREASE HAVE BEEN VICE MINISTER OF LABOR LUIS SHIRLEY IN A SPEECH TO A LOCAL LABOR CONGRESS AND AN OFFICIAL IN COMPTROLLER GENERAL'S OFFICE. LATTER TOLD AN EMBASSY OFFICER THAT A GENERAL PAY RAISE OF 10 TO 15 PERCENT WOULD AMOUNT TO AN INCREASE IN CENTRAL GOVERNMENT EXPENDITURES OF \$12 TO \$18 MILLION OVER A 12 MONTH PERIOD IF IMPOSED IN ONLY ONE STEP AND THAT NO PROVISION HAD BEEN MADE IN BUDGET FOR SUCH AN INCREASE. HE EXPECTED, HOWEVER, THAT FULL INCREASE WOULD NOT BE EFFECTIVE IMMEDIATELY BUT, INSTEAD, WOULD BE PHASED IN SEVERAL INCREMENTS.

3. COMMENT: THE RAPID GROWTH OF INFLATION, IN PART DUE TO THE COST OF IMPORTED GOODS, AND MUCH SLOWER INCREASE IN LABOR INCOME, HAS LED TO STRONG PRESSURES ON GOP TO ALLEVIATE PLIGHT OF WORKING CLASS. ON OTHER HAND, GOVERNMENT HAS JUST FINISHED CALMING DOWN PRIVATE SECTOR'S ANXIETY OVER HOUSING LAWS WHICH WERE ANNOUNCED LAST OCTOBER AND IT THEREFORE IS PROCEEDING CAREFULLY WITH CONSULTATIONS BEFORE MAKING ITS DECISION. ON BALANCE, BECAUSE GOP IS COMMITTED TO ALEVIATING EFFECTS OF INFLATION ON LOWER CLASES, IT PROBABLY WILL FEEL COMPELLED TO GO AHEAD WITH A PAY INCREASE IN SOME FORM.
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